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U.S. POLICY TOWARD CHINA AND TAIWAN

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

AUGUST 17, 1982

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U.S. POLICY TOWARD CHINA AND TAIWAN

TUESDAY, AUGUST 17, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 2:20 p.m., in room 4221, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Helms, Hayakawa, Mathias, Pressler, Pell, Glenn, Tsongas, and Dodd.

The CHAIRMAN. It is a pleasure to welcome back once again Ambassador Holdridge to the committee.

It is my understanding, Ambassador Holdridge, that you have come to explain to us and elaborate on the President's announcement this morning concerning our relations with China and Taiwan. We particularly welcome your appearance this afternoon on this subject.

As you know, over the period of almost a year the committee has been in contact with you and other officers of the Department on the administration's policy toward China and Taiwan. These sessions have been most helpful to the members of the committee in understanding the problems you confront in pursuing U.S. interests in our dealings with China and Taiwan.

I commend you, former Secretary Haig, Secretary Shultz, and the President on your forthright and candid approach toward the committee. The approach has greatly assisted the committee in fulfilling its constitutional role in the field of foreign affairs.

Our discussions on U.S. policy toward China and Taiwan over the past year have been a model of the consultative process of which both branches of our Government can be justifiably proud. I thank you for your role in that process.

Our sessions during this process, however, in deference to the administration's wishes, have been in executive session and classified to protect the confidentiality of your discussions with the Chinese. While we understand the need for confidentiality in diplomatic discussions, I believe we have made clear that many of us have had reservations about the administration's reluctance to expose its China-Taiwan policy to public discussion and debate.

As I said to you during our meeting in June, it is only as a result of public discussion that general bipartisan support of our policy emerges. Only through public debate can you be assured the administration has defined a national interest which must underlie any enduring policy in a way that is satisfactory to the country as a whole.

Today we begin this practice, and the policies you have devised must stand the test of that debate and time. The committee intends to hold hearings subsequent to this one on our relations with China and Taiwan in an effort to encourage the development of a consensus, and we seek your assistance in doing so. We anticipate further hearings in the near future.

In considering the President's announcement this afternoon we want to give particular attention to two areas. First, we have undertaken certain solemn obligations to the people on Taiwan as embodied in the Taiwan Relations Act [TRA] overwhelmingly passed by the Congress in 1979. These obligations must be upheld. A policy statement cannot change a public law.

Second, we as a Nation value our relationship with the People's Republic of China [PRC]. We have a number of strategic interests in common. Our relationship has expanded over the last decade. Although our trade with Taiwan is double that with the PRC, trade with the PRC has increased many times over, and this growth promises to continue.

In my view, our relationship with China is to our benefit and should continue to expand and improve. I realize that this is a difficult problem. These two objectives can sometimes be in conflict. Under these circumstances a certain amount of ambiguity may be helpful as long as it does not undermine our basic, fundamental objectives or prejudice what we might want to do in the future. There may be ambiguity in the communique, but there can be no ambiguity in implementing the Taiwan Relations Act. We must assure that Taiwan's legitimate defense needs are met as the Taiwan Relations Act requires of us.

We look forward, Ambassador Holdridge, to your views on how we can achieve these ends and to your explanation of some of the wording in the communique, which on the face of it appears troublesome.

Senator Pell.

Senator PELL. Mr. Chairman, I want to second your excellent opening statement. The points you raise are important. I would add that at first blush the joint China-United States communique seems fair. However, on further examination I find myself very concerned with the interests of the native Taiwanese, some 16 million people out of a total Taiwan population of 18 million, or pretty close to 90 percent of the people. Too often our discussions of China-Taiwan policy assume that the hopes, dreams, and aspirations of the native Taiwanese are shared by the mainland Chinese authorities in power on both sides of the Taiwan strait. In fact, nothing could be further from the truth.

The evidence of this is the martial law that has remained, in effect, in Taiwan for over 30 years. The results of this are apparent when you talk to native Taiwanese without any chaperones or advisers around. And I think we should bear in mind the old idea of self-determination. We fought World War I with that as one of our goals. We have forgotten it in many places since.

I believe that given a free choice, the Taiwanese would opt for a separate identity—a free and independent Taiwan. Unfortunately, I conclude after having read the communique and examining it more carefully and noting the inherent contradiction between "peaceful reunification," mainland China's position, and "peaceful resolution," our hope, that it could make it more difficult, if not eliminate the possibility altogether, for the people on Taiwan to choose a free, independent democratic government. And when I say independent I mean independent of mainland China.

I hope I am wrong but if not, I believe we cannot stand by and condone PRC pressures on Taiwan to bend to its desires. This must be a choice freely made not by the Government on Taiwan governing by martial law, but by the people of Taiwan.

Thank you.

The CHAIRMAN. Senator Glenn.

Senator GLENN. I would like to make a short opening statement.

Along with the chairman and other members of the committee I helped draft the legislation which became known as the TRA [Taiwan Relations Act]; so we, better than most perhaps, know what we intended to accomplish in that act. And I can tell you that in my considered judgment the communique announced today does undermine the spirit and intent of the TRA.

Three years ago the executive branch appeared before this committee arguing that the United States intended to sell arms to Taiwan indefinitely, but that this need not be mentioned in the legislation we were considering at that time, the Taiwan Relations Act. Administration spokesmen went further and indicated that the President might, in fact, veto a bill that contained specific arms sales assurances for Taiwan. I am glad to say that Congress failed to blink in that confrontation.

In President Reagan's words 2 years ago, the Congress was clearly unwilling to buy the Carter plan which it believed would have jeopardized Taiwan's security. The TRA that passed the Congress with almost unanimous support contained our pledge that:

> The United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability, and the President and Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan.

The legislative history demonstrates beyond a doubt that the intent of this passage was to insure that arms sales decisions, albeit prudent and cautious, would be made in Washington, not in Peking or Taipei.

Now, because we anticipated the PRC would pressure us to end or limit Taiwan arms sales, we provided in the act a framework for the executive branch to resist such pressures. Without these written assurances and confidence that the President would faithfully carry out the TRA, I seriously doubt that the Congress would have been prepared to go along with normalization and the PRC demand that we terminate the Mutual Defense Treaty with Taiwan.

The communique announced today discards that very carefully crafted framework, the heart of the TRA, in favor of an arms sales formulation negotiated under Chinese threats of a retrogression of United States-PRC relations.

As you might expect, under such circumstances the new restrictions on arms sales leave much to be desired. President Reagan indicates that based upon the Chinese statements, particularly the statement that, "Peaceful reunification" is a "fundamental policy of the PRC," he was able to impose further restrictions on arms sales to Taiwan.

These new restrictions include: No. 1, agreeing that the United States "does not seek to carry out a long-term policy of arms sales to Taiwan." No. 2, "Arms sales to Taiwan will not exceed, either in qualitative or quantitative terms, the level of those supplied in recent years." No. 3, that the United States "intends to reduce gradually its sales of arms to Taiwan." And No. 4, this will lead "over a period of time to a final resolution."

I should also note in passing that President Reagan's concessions came just 2 years after candidate Reagan pledged that he "would not impose restrictions which are not required by the Taiwan Relations Act and which contravene its spirit and purpose."

Not only do these restrictions contravene the spirit and purpose of the TRA, they are exactly the sort of PRC-imposed conditions we sought to avoid when we drafted the act. Moreover, the restrictions set forth in the communique unfortunately do not resolve the fundamental differences between the United States and the PRC on Taiwan arms sales questions. They merely postpone the day of reckoning. I think that is a very important point. The Chinese continue to oppose arms sales, asserting it infringes on their sovereignty and is an interference in their internal affairs.

Under these conditions, agreeing on limits to gradually reduce and ultimately end arms sales puts us in an impossible position. Soon the Chinese will return with more demands and insist we finally resolve the issue, and we can expect that. We will be in the unfortunate position of having limited our argument to when, not if, a cutoff should occur. Based upon past precedent, I anticipate we will not have to wait long before the PRC makes these new demands known.

Let me close by issuing a communique of my own. I can assure you there will be a retrogression in this committee's relations with the Bureau if the action the executive branch has taken results in any major or significant change in the relative military balance that exists today between Taiwan and the PRC.

We want that balance to be maintained, and if implementation of the communique causes a deterioration in Taiwan's capability and an improvement in the PRC's relative military advantage, as a starter I would like your commitment you will not orchestrate a reduction of Taiwan's military capabilities and will notify us on each occasion you are required to disapprove U.S. industry contacts with Taiwan or deny an arms sales request made by the authorities on Taiwan.

As I indicated a few weeks ago, obviously we must be prudent and cautious in our arms transfer decisions. Gratuitous sales protect no one. But when we appear to bend to Chinese pressures on each and every sale we make to Taiwan, it is inevitable that Taipei begins seriously to doubt whether we will live up to our solemn responsibilities.

A State Department spokesman has urged me not to worry and indicated that "our relations with China are predicated on our expectation that the Taiwan issue will be resolved peacefully by the Chinese people themselves." In fact, they are so confident the issue can be resolved peacefully, they state that it is in this context that we have been and will continue to judge Taiwan's defense needs.

Unfortunately, I am not quite so sanguine. If Taiwan decides it wants to reunify with the mainland, everything will work out fine. But what if the present or future leaderships decide reunification is not in the island's interest? What then?

Warren Christopher told the Foreign Relations Committee during the TRA debate that:

> It is our position that if there is to be a reunification, it is of great importance that it be peaceful and not be destabilizing in the area. But we do not have a position of encouraging the people on Taiwan to do something against their will.

That was an excellent policy then; it is one I fully endorse today. However, if maintaining Taiwan's free choice means supplying needed and selected defensive arms to the island to maintain the balance we have tried to maintain, even over Peking's objections and in the face of threats to downgrade United States-PRC relations, then so be it.

Mr. Chairman, I would harken back to President Reagan's statements when he was a candidate. On August 25, 1980, he stated. "We should not impose restrictions which are not required by the Taiwan

Relations Act and which contravene its spirit and purpose." He went on to comment by a use of examples of the Carter administration where they refused to open consulates on behalf of Taiwan; yet just last month we postponed a Boston consulate opening. He said the Carter administration had a 1-year moratorium on arms sales. Yet, we have not sold arms in this administration either.

He talked about the difficulty the Carter administration had caused by refusing to train Taiwan military officers here. We are not now doing that. He went on to state:

> I recognize the PRC is not pleased with the Taiwan Relations Act which the U.S Congress insisted on as the official basis for our relationship with Taiwan. This was made abundantly clear to Mr. Bush and I am told clear to the Carter administration. But it is the law of our land.

Then at a later point he said:

> As President, I will not accept the interference of any foreign power in the process of protecting American interests and carrying out the laws of our land. To do otherwise would be a dereliction of my duty as President.

Thank you.

The CHAIRMAN. Thank you very much.

Secretary Holdridge, the Chair will break the precedent of having opening statements by just the Chair and ranking minority member in this case.

We have met with you for over a year. Members have observed silence as a result of coming out of those meetings. And I think in the exchange that we have had and the confidential nature of that exchange, it is well now to permit all members who want to make statements to make their views known publicly on this important issue.

Senator Pressler, I will call on you next to rotate sides.

Senator PRESSLER. Mr. Chairman, I will be brief.

Let me say that this announcement by the administration at this time is very ill conceived, because it does not achieve any foreign policy objectives. The point is that we have had trade with both Chinas. We have had relations with both.

I recently visited both. We were going along quite well. If a change of this magnitude occurs, which as my colleague has pointed out violates our law, it should be for some clear foreign policy objectives. And I would like to hear in public what the immediacy of this was, what caused us to do this now, what foreign policy objectives are we achieving.

Let me also say that I have felt for some time that we did not have a need for change, that things were going well; and granted the People's Republic of China was making some alleged threats, but China needs the trade, and China wants the relationship with us. Both countries do. I do not think we should have yielded to those threats, if we did so at this time. I fear that down the road there are those in the State Department who would like to see us engage in the sale of arms to the PRC or be involved in an aid program there or some sort of relationship such as that. I am opposed to that. I am for trade and a two Chinas policy, but we already have that.

Let me also say that although I respect our chairman's analysis that this was a model of consultation, I would have to politely disagree. Most of the consultations we have had have been under the ground rules that they were confidential, and the options presented to us in the timing of this decision were very ambiguous. I would not agree that this is a model for consultation with Congress in advance of a

decision, because we were under very great restrictions not to repeat or analyze in public some of the things said.

Also, it came as a complete surprise to me that this was going to occur at dawn today. In fact, I found out about it from a phone call at 6:30 this morning; but that is, I guess, the way it was done. The point is, if I saw a clear foreign policy objective that we were achieving with this decision, I would probably go along with it because I believe in real politics. I have served in the Army in that area of the world. I think that we are abandoning one of our best friends, in essence, in terms of the way this will be perceived.

If the decision helped to achieve something in trade or achieve something in terms of our national interest objectives, I would probably be for it, but I cannot see why it is being done at this time and in this fashion.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Thank you very much.

Senator Hayakawa.

Senator HAYAKAWA. Thank you, Mr. Chairman.

The unveiling of the latest joint communique between the United States and the PRC leaves much to be desired. As a semantic purist I am somewhat disturbed by the lack of clarity in the language. I am afraid unless one looks very closely at the whole document and what is said and what is not said, it appears as though the United States is turning its back on the people of Taiwan. However, I believe there is enough ambiguity so that no one need take any offense.

The wonderful thing about language is its ability to mean whatever we may want it to mean. As a psychologist I recognize that what we have here is a situation not uncommon in human affairs: a totally ambiguous situation. In one sense Taiwan and China are one country because they both say so. Taiwan says China is one country, and the PRC say China is one country. But in another sense they are not one country.

There are many ambiguities in everyday life with which one lives. Often we condemn them as hypocrisies, but life always puts us into situations in which we have to live with these hypocrisies and endure them, hoping that some day a consistent or rational point of view can prevail, perhaps even with a solution which is not yet thought of.

If you look at the present situation between Taiwan and China where they are making totally inconsistent and incompatible assertions about each other, the PRC is saying that Taiwan is really one of our provinces, and we have complete authority over Taiwan, so that if you, the United States, sell them arms, you interfere in our internal affairs. But we go ahead and sell Taiwan arms, and the PRC does not start a war over it. They do nothing more than make a big squawk and accept what is essentially an illogical situation.

I think that we will have to live with this ambiguity for some time to come. Insofar as any of us on any side of this problem insist we be perfectly logical about it, we will perpetrate some awful injustice on somebody. The only way to guarantee a minimum of justice for perhaps a few decades to come is to accept this ambiguity, to accept this, shall we say, hyprocrisy on all sides.

It seems to me that this joint communique is just another one of the necessary ways of enduring this illogic, and even though it has been called another temporary palliative, it may have positive, permanent consequences insofar as it places the burden on the PRC to resolve their differences with Taiwan only through peaceful means; and that we

have asked them to underline, and they have. Nonetheless. the United States must still be diligent about assessing the intent of the PRC. We must look to what they do and not just what they say. And we, too, must live by this same standard and watch what we do and what we say.

The American people through President Reagan have given assurances to the people of Taiwan that we will not abandon them, and we must make sure that we keep our word and continue to abide by these assurances.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Hayakawa.

Senator Tsongas.

Senator TSONGAS. Mr. Chairman, I am curious about the Secretary's position. I have just an observation.

Last night before the Red Sox game there was a fellow on television who bore an uncanny physical resemblance to President Reagan, and he called for tax increases that outrages supply side economists and have been enthusiastically endorsed by the ADA. And today we consider a communique involving Taiwan and the PRC and the United States, which, if promulgated by a liberal Democrat, would have had this place surrounded by hostile elements all day long.

I guess you have to conclude in Washington if you wait long enough, anything is possible. And I would be curious as to the Secretary s position.

I would also like to read the analysis of the statement by those who were here today, because I do not understand them either; and I would be curious as to how those in our midst who are not from the United States interpret what has been said today to their own people. I would be rather curious.

Thank you.

The CHAIRMAN. Thank you, Senator Tsongas.

Senator Mathias.

Senator MATHIAS. Mr. Chairman, I wait with breathless anticipation for the testimony of the witnesses today. I will just say that I think Senator Hayakawa has given us an interesting historical perspective on this problem and has, I think, said it in the kind of context in which we must view it.

A two-China policy was, I suppose, a comforting concept to some Americans, but it aroused only contempt in both the People's Republic of China and in Taiwan. And if a two-China policy is not a reality in China, then it is only an illusion, and the sooner we clear our vision of it, the better off we will be.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Mathias.

That is as good a buildup as any witness has ever had. It is a challenge to you, I am sure. We will be anxious to hear from you.

STATEMENT OF HON. JOHN H. HOLDRIDGE, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED BY WILLIAM F. ROPE, DIRECTOR OF THE OFFICE OF CHINESE AFFAIRS; AND DONALD C. FERGUSON, TAIWAN COORDINATION ADVISER, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

Ambassador HOLDRIDGE. Thank you very much, Mr. Chairman. I appreciate the chance to meet the challenge.

I would like to introduce, on my right, Mr. William Rope, the Office Director for China, and on my left, Mr. Don Ferguson, the Office Director for Taiwan. I am straddling in the middle. I guess I am in the middle of the Taiwan Strait here. [Laughter.]

Let me say, Mr. Chairman, I much appreciated your words yesterday about consultations and again today, and I want you to know that we will do everything in our power to meet the continued obligation to consult with you on matters such as this which we regard as being of transcendental importance, and we will try to keep the standard up as high as you said it was. Let me continue.

Mr. Chairman, this morning the United States and the People's Republic of China simultaneously issued a joint communique. Now, during yesterday's hearing and on prior occasions, members of the committee have expressed the view that public hearings on the course of our policies toward China should be held at the earliest possible date. I agreed with that view and I am glad to be able to continue our discussion of these issues in a public forum.

I would also like to express our appreciation for the way the committee has cooperated with us in maintaining the confidentiality of our discussions with the Chinese. This has been vital, and without this confidentiality, I don't know whether we would have reached the state we reached today in terms of issuing a joint communique. We are very appreciative of the confidentiality which was maintained.

Mr. Chairman, I think you have stated the problem we face very accurately. As we went into these negotiations, we had two things in mind, our historic obligations to the people of Taiwan and our important and growing relations with the People's Republic of China. Throughout the entire period of our discussions with Beijing, we were guided by these dual considerations. It is a fundamental national interest of the United States to preserve and advance its strategic relations with China. At the same time we have, as you said, obligations to old friends and we will not turn our backs on them.

I am glad we have been able to arrive at a communique with the Chinese that demonstrated their recognition of our determination on this score despite the difficulties it obviously causes them and that they, too, because of the important interests involved for them, were willing to join with us in a modus vivendi which will enable us to continue our relationship.

Again, as you and I have pointed out, such an outcome is of vital importance to our national interest. Three administrations before us have worked very hard to establish and expand this relationship, and we would have been derelict if we had not made every effort to find a way around the problem threatening it.

Mr. Chairman, I think it would be useful to take a few minutes to examine the reasons we valued this relationship so highly. One of the major reasons is strategic. Prior to 1971, we had a hostile relationship with China. It was costly. We fought the Chinese in Korea. We almost came to a major war over Quemoy and Ma-tsu. The Chinese worked hand in hand with the Soviets against us in Vietnam. We had to maintain a naval presence between Taiwan and the mainland.

China identified itself with support for guerrilla movements on the soil of many of our allies and friends. Furthermore, a large part of our defense resources were allocated on the premise of a hostile China. Lastly and perhaps most importantly, these 1 billion people were not identified with our interests as we faced the Soviet Union.

Starting in 1971, we changed the situation. Thanks to a productive relationship between the United States and China, Taiwan has never been more secure and prosperous. We no longer have to plan for China as an enemy. We can now think of China as a country with which we might cooperate in certain significant areas. China's relations with our allies in Asia have improved.

These 1 billion people are cautiously moving into the mainstream of the world's cultural and economic life. Their isolation is dissolving. Trade has increased. Eight thousand Chinese students are now studying in the United States. Investment opportunities are opening and our parallel interests in containing the Soviet Union have been repeatedly reaffirmed.

As an illustration of one of the benefits to both parties of this relationship, I want to introduce into the record as a part of my statement an article by Christopher Wren in this morning's New York Times. It describes the contributions to mutual understandings of United States-Chinese cooperation in the field of management training in Dalian, China.

[The article referred to follows:]

[From the New York Times, Aug. 17, 1982]

CHINESE GET LATEST WORD ON U.S. MANAGEMENT SKILLS

(By Christopher S. Wren)

DALIAN, CHINA.—A mammoth statue of Chairman Mao Zedong dominates the entrance of the Dalian Institute of Technology, and his quotations, along with more from Marx and Lenin, adorn the great stairwell inside.

In the classroom, however, Chinese students have been leaning forward earnestly to catch the collective wisdom of American professors.

Prof. Arthur Brief of New York University discussed employee motivation, and Prof. Harrison Wadsworth of Georgia Tech spoke about quality control. Prof. Bertrand N. Horwitz of the State University of New York at Binghamton explained how corporations used accounting systems to make decisions.

Their lectures were part of a flourishing program, now in its third year, of teaching American management skills to Chinese technocrats at a leafy campus just outside this northern port city.

COURSE LASTS 6 MONTHS

The course, which runs for six months, is restricted to middle-level managers and bureaucrats, usually from 30 to 55 years old, with a technical degree and five years of experience. The students are picked from factories, institutes and Government offices around China.

So far, 350 have completed the program. It remains unclear, however, to what extent the American skills can be grafted onto China's Marxist economic model. The program's graduates have not reported back on its practical impact, and examinations are only being scheduled in some courses this year.

This year, 180 students enrolled for the regular course of study. Sixty others, using American-donated calculators and computers, are taking a special six-week course in statistics under Prof. John Stuart Hunter of Princeton to learn how to improve quality control.

The Dalian program, which costs the United States about $160,000 a year, has become the most successful ingredient of the Chinese-American protocol on scientific and technical cooperation. The Chinese have asked the Americans to keep teaching in Dalian at least through 1984.

A REAL LACK OF UNDERSTANDING

"I think the key is that we are all members of a universal management," Prof. William A. Fischer of the University of North Carolina told the students as the program resumed in June. "We all face the same allocation decisions. We all need to motivate workers. And we all need to insure that our organizations contribute to the achievement of national social goals."

The American teachers have found that the Chinese, after being cut off so many years from the West, lag far behind in most subjects though they offset this somewhat with work experience.

"There's a real lack of understanding of how the market system works and how the American system works in particular," said Professor Fischer, who has come back for his third summer of teaching.

The National Center for Industrial Science and Technology Management Development, as the program is officially called, started in Dalian two years ago after earlier discussions between Dr. Frank Press, President Carter's science adviser, and Deng Xiaoping, the leader who has charted China's new modernization course.

The logic of asking capitalists to teach Communists how to become better managers was summed up by Tian Zhensheng, an electronics company official enrolled in the current session.

"Japan built up its economy quickly after World War II because it imported a lot of good management techniques from the United States," Mr. Tian explained. "Though China has a different social system from the United States, in terms of management I think we can find a lot of things in common."

The Dalian program is sponsored by the United States Department of Commerce with three Chinese counterparts, the State Economic Commission, the State Science and Technology Commission and the Ministry of Education, which pay the bulk of the costs. The department of Commerce pays half the salaries of two dozen rotating professors, lawyers and businessmen who teach their specialties.

The regular students, who live crammed four or six to a room, spent the first six weeks reviewing basic mathematics and economics with Chinese instructors before the Americans arrived.

The first nine-week phase of the American program includes required courses like accounting, production and organizational behavior. A second phase of 12 weeks involves elective courses like marketing, information systems and foreign trade.

EVERYTHING MUST BE TRANSLATED

Though classes start at 7:30 a.m., teaching time is effectively cut in half because everything must be translated sequentially from English to Chinese.

"In six weeks, you can't cover much ground, so you hope you can get the basic techniques across, but you won't have time to go into the subtleties," said Michael P. Beck, a research statistician who was lent by the Exxon Corporation for six weeks to teach inventory management.

Because the Dalian program is a condensed version of an M.B.A. program in the United States, the teaching emphasizes case studies. In addition to American cases, Professor Fischer has tried to assemble some case studies from Chinese management.

At first, this met with strong resistance from Chinese factory managers who felt they would lose face or worse if researchers were allowed to poke around their premises. Some blunt directives from higher-ups finally got the Americans the necessary access.

The Dalian program now uses four such Chinese case studies. One involves a lightbulb factory in the northern city of Shenyang that was considering a Japanese offer to modernize its plant in return for compensatory trade in lightbulbs.

Some students, reflecting a Chinese penchant for formal lectures, have complained that they find case studies irrelevant.

"I hope the American professors will teach more theories than cases, because theories can solve fundamental problems and cases only show one approach," said Huang Zhouhang, who was sent to the program from Peking's Telecommunications Department in Peking.

Professor Fischer said he had encountered some political sloganeering in the classroom but less than he had expected.

"I've had people make statements that are very critical of the way the system worked and then someone else defended the system," he said.

LIBRARY IS SET UP

At least part of the Dalian program's appeal is its prestige.

"As we understand it, a number of people went home and got promotions and they look at this as a career ladder," said Richard W. H. Lee, the American program manager, who directs the Department of Commerce's scientific and technical programs in Asia.

The first year's lectures by the American professors have been transcribed and circulated in paperback copies, becoming China's resource material on modern management. A 2,000-book library, mostly in English, has been set up at the Dalian center through the Asia Foundation.

Japan, West Germany, Canada, France and Hong Kong are negotiating with China to set up regional management training programs similar to the American one. The plan is for the Dalian program to evolve into a research and consulting center, with American participation being phased out but not altogether eliminated.

The Chinese have already started building a new five-story classroom building for the program and have a dormitory planned. Mr. Lee said financial support would be sought from United States business companies, with the Department of Commerce providing supplementary funds.

"We look at it as a long-term benefit,' Mr. Lee said, citing what he described as a potential pro-American outlook among rising Chinese management with consequently greater opportunity for trade.

Ambassador HOLDRIDGE. All of these things represent solid benefits to our security and well-being, Mr. Chairman. We were not going to let these achievements disappear into rancor and hostility if we could avoid it. We went after both of the objectives you have outlined, and I believe we have succeeded.

Let me turn to this morning's communique. It reaffirms the fundamental principles which have guided United States-Chinese relations since the inception of the normalization process over 10 years ago. This reaffirmation is significant. It illustrates the strength and durability of these principles. On this foundation the United States established relations with China which have been economically beneficial to us and which have greatly enhanced our vital strategic interests.

At the same time, we have maintained and strengthened our commercial and cultural relations with the people of Taiwan. We have achieved these important goals without impairing the security of the people of Taiwan, and indeed, because of these improved relations between China and the United States, Taiwan has never been more secure.

The communique also addresses an issue which was not resolved at the time of normalization of relations, the question of U.S. arms sales to Taiwan. During discussions leading to normalization, China demanded that arms sales be terminated. We refused. China agreed to proceed with normalization despite this disagreement but reserved the right to raise this issue again.

I can say here, Mr. Chairman and members of the committee, I believe it is well known that the normalization negotiations almost foundered on this whole question of continued U.S. arms sales to Taiwan, and it was only at the last minute by, I would say, a very statesmanlike decision on the part of the leadership of the People's Republic of China that the decision was made to go ahead, but it really was touch and go.

When China agreed to proceed with normalization despite disagreement on arms sales to Taiwan, it reserved the right to raise the issue again. When it did so last year, we agreed to engage in discussions to determine whether an understanding could be reached. The alternative to our agreeing to hold such discussions would clearly have been the beginning of a process of deterioration in our relations, deterioration that could have led us back toward hostility. Since the issue itself was volatile and basic, we would have been irresponsible had we allowed such a process to start.

To address Senator Pressler's question, our foreign policy objective was to preserve a valuable relationship which otherwise might well have and probably would have undergone a serious and possibly fatal deterioration. We undertook these discussions, therefore, with the hope that a formula could be found which would permit the continued growth of our relations with China, but also with the firm resolve that there were principles regarding the security of Taiwan which could not be compromised.

Those principles embodied in the Taiwan Relations Act commit the United States to sell to Taiwan arms necessary to maintain a sufficient self defense capability. Aware of our consistent and firm opposition to the use of force against Taiwan, the Chinese during these discussions, and I mean the most recent ones, agreed to state in very strong terms their policy of pursuing a peaceful resolution of the Taiwan issue, and eventually came to describe this policy as "fundamental."

The Chinese insisted, however, that we agree to the ultimate termination of arms sales. We refused because the level of our arms sales must be determined by the needs of Taiwan, and we could not agree to a termination date as the Chinese demanded which might impair our ability to meet those needs. At the same time, we recognized that China's peaceful policy bore directly on the defense needs of Taiwan. So long as the policy continued, the threat to Taiwan would be diminished.

As I have noted, assurances of such continuity were provided when the Chinese began to describe their peaceful policy on the resolution of the Taiwan question as, as I have said, "fundamental," which contains the connotation of unchanging and long term. Let me say this again: which contains the connotation of unchanging and long term. We were thus able to consider a policy under which we would limit our arms sales to the levels reached in recent years and would anticipate a gradual reduction of the level of arms sales.

We were not willing, however, to adopt such a course unconditionally. While the Chinese were willing to state their peaceful policy in strong terms, they at first resisted any relationship between that policy and our arms sales to Taiwan. The Chinese resisted this relationship because of their view that the sale of arms to Taiwan constitutes an interference in China's internal affairs. We rejected any language to this effect in the communique.

We also stressed that as a matter of fact and law, any adjustments in our arms sales to Taiwan had to be premised on a continuation of China's peaceful policy. We therefore maintained, and the Chinese ultimately agreed, that the statement of our policy in paragraph 6 of the joint communique be prefaced by a phrase that related it to the continuation of China's peaceful approach.

This is the genesis and purpose of the phrase "having in mind the foregoing statements of both sides" which precedes our statements in that paragraph. Thus, our policy is predicated on China's commitment in paragraph 4 to a peaceful approach and our acknowledgment of that approach in paragraph 5.

Let me say this again. Our policy is predicated on China's commitment in paragraph 4 to a peaceful approach and our acknowledgment of that approach in paragraph 5. Let me summarize the essence of our understanding on this point. China has announced a fundamental policy of pursuing peaceful means to resolve the longstanding dispute between Taiwan and the mainland.

Having in mind this policy and the consequent reduction in the military threat to Taiwan, we have stated our intention to reduce arms sales to Taiwan gradually and said that in quantity and quality we would not go beyond levels established since normalization. This follows from a literal reading of the communique.

While we have no reason to believe that China's policy will change, an inescapable corollary to these mutually interdependent policies is that should that happen, we will reassess ours. Our guiding principle is now and will continue to be that embodied in the Taiwan Relations Act, the maintenance of a self-defense capability sufficient to meet the military needs of Taiwan, but with the understanding that China's maintenance of a peaceful approach to the Taiwan question will permit gradual reductions in arms sales.

During our meeting yesterday, questions were raised concerning whether the wording of the communique adequately conveys the meaning which we ascribe to it. I believe it does or I would not have recommended its approval. The present wording evolved from 10 months of intense negotiation in which fundamental principles were at stake on both sides. The language necessarily reflects the difficult compromises which were reached.

We should keep in mind that what we have here is not a treaty or an agreement but a statement of future U.S. policy. We fully intend to implement this policy in accordance with our understanding of it. I hope I have made that point abundantly clear in my remarks today. I can further assure you that, having participated closely in the negotiations, I am confident the Chinese are fully cognizant of that understanding.

Turning to the document itself in more detail, let me recapitulate and emphasize a few key features, and then I will be happy to take your questions. First, the document must be read as a whole since the policies it sets forth are interrelated. Second, as I previously noted, the communique contains a strong Chinese statement that its fundamental policy is to seek to resolve the Taiwan question by peaceful means, paragraph 4. In this context, I would point out again that the reference to their "fundamental" policy carries the connotation in Chinese of unchanging and long term.

Third, the U.S. statements concerning future arms sales to Taiwan, paragraph 6, are based upon China's statements as to its fundamental peaceful policy for seeking a resolution to the Taiwan question, and on the "new situation" created by those statements, paragraph 5. This situation is new because for the first time, China has described its peaceful policy toward Taiwan in the terms I have outlined. Thus, our future actions concerning arms sales to Taiwan are premised on the continuation of China's peaceful policy toward a resolution of its differences with Taiwan.

This is indicated by the words at the beginning of paragraph 5 that "having in mind the foregoing statements by both sides, the U.S. Government states." We have no reason to think the Chinese will change this fundamental policy, but if they should, we would, of course, reexamine our position.

Fourth, we did not agree to set a date certain for ending arms sales to Taiwan, and the statements of future U.S. arms sales policy embodied in the communique do not provide either a timeframe for the reduction of U.S. arms sales or for their termination. The U.S. statements are fully consistent with the Taiwan Relations Act and we will

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continue to make appropriate arms sales to Taiwan based upon our assessments of their defense needs. So much for what is in the actual communique.

Over the past several months there has been considerable speculation about the substance of our discussions with the Chinese. As you know, we have not felt free to comment on such speculation while our talks were underway. Therefore, it might be useful at this point to clarify our stand on a number of issues which have surfaced in such speculations.

As to our position on the resolution of the Taiwan problem, we have consistently held that it is a matter to be worked out by the Chinese themselves. Our sole and abiding concern is that any resolution be peaceful. It follows that we see no mediation role for the United States nor will we attempt to exert pressure on Taiwan to enter into negotiations with the PRC.

I would also like to call your attention to the fact that there has been no change in our longstanding position on the issue of sovereignty over Taiwan. The communique, paragraph 1, in its opening paragraph simply cites that portion of the joint communique on the establishment of diplomatic relations between the United States and the PRC in which the United States acknowledged the Chinese position on this issue; that is, that there is but one China, and Taiwan is a part of China.

It has been reported in the press that the Chinese at one point suggested that the Taiwan Relations Act be revised. We have no plans to seek any such revisions.

Finally, in paragraph 9 the two sides agree to maintain contact and hold appropriate consultations on bilateral and international issues of common interest. This should be read within the context of paragraphs 8 and 9, which deal with the two sides' desire to advance their bilateral and strategic relations. It should not be read to imply that we have agreed to engage in prior consultations with Beijing on arms sales to Taiwan.

We hope and expect that this communique and the step forward it represents in the resolution of United States-Chinese differences on this issue will enhance the confidence of the people of Taiwan, whose well-being and prosperity continue to be of the utmost importance to us.

From the President down, we have acted in a way which seeks to enhance the future security and prosperity of the people of Taiwan, and I call your attention to the emphasis on this matter in the President's statement which was released simultaneous with the release of the joint communique this morning.

Removal of the arms question as a serious issue in United States-China relations will help assure both countries can continue to cooperate on mutually shared international objectives: For example, deterring Soviet aggression in East Asia and the removal of Vietnamese troops from Kampuchea. It will ease fears by American friends and allies that the general peace and stability in the Asia Pacific region could be undermined. By defusing the difficult issue of arms sales, we will open the way for an expansion of United States-Chinese relations on a broad range of economic, cultural, scientific, and technological areas as well as in people-to-people contacts.

In conclusion, I would like to quote a paragraph from a statement issued by the President this morning:

Building a strong, lasting relationship with China has been an important foreign policy goal of four consecutive American administrations. Such a relationship is vital to our long-term national security interests and contributes to stability in East Asia. It is in the national interest of the United States that this important strategic relationship be advanced. This communique will make that possible consistent with our obligations to the people of Taiwan.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Secretary Holdridge.

We will go on a 10-minute rule due to the number of Senators present.

I would like to start off by asking the extent to which our friends in Taiwan have been kept up to date on this matter, whether they have seen a complete copy and had an opportunity to study it before it was released, and if so, what their reactions are to it.

Ambassador HOLDRIDGE. You can be sure, Mr. Chairman, our friends in Taiwan have indeed been apprised of the way things have been going in our discussions with China on this subject. With respect to the joint communique, quite clearly this has caused some upset in Taiwan. On the other hand, from what I have seen of the reactions so far, it is my feeling this will be taken in stride, as was similarly the case in 1972 with the Shanghai Joint Communique and again in 1979, that life will proceed in Taiwan without disruption, and the economic, political, and social conditions will remain essentially unchanged.

The CHAIRMAN. Are they fully aware of the fact that requests have been made of us by the PRC which have been rejected by the Reagan administration?

Ambassador HOLDRIDGE. I believe you can rest assured on that point, Mr. Chairman.

The CHAIRMAN. What assurances have been given specifically to Taiwan that may not have been made public to date?

Ambassador HOLDRIDGE. I prefer not to get into the details of our discussions with the Taiwan authorities, Mr. Chairman. I just want to assure you, though, that there have been discussions on this point at the appropriate level with appropriate officials through the appropriate channels, and I think that this point has been thoroughly covered.

The CHAIRMAN. But you can't go into any detail as to what those assurances actually are?

Ambassador HOLDRIDGE. I think my statement refers to some of the discussions we have had with the people on Taiwan.

The CHAIRMAN. But there is nothing further you can give us now.

Ambassador HOLDRIDGE. I don't think it would be appropriate for me, sir, to get any further into this. We have, in fact, discussed the six points I covered in my discussion today, which have also been covered in our discussions with Taiwan.

The CHAIRMAN. You say your discussions today. What discussions were those?

Ambassador HOLDRIDGE. I outlined six points in my statement, Mr. Chairman, which have also been conveyed to Taiwan.

The CHAIRMAN. Yes; and what reactions have they had to those points? Have they received some measures of assurance from us?

Ambassador HOLDRIDGE. They have indeed received some measure of assurance as a result of these positions which have been conveyed to them, as I said, at the appropriate level through appropriate channels.

The CHAIRMAN. Does the administration intend to actually cut off or cease supplying arms to Taiwan in this next decade?

Ambassador HOLDRIDGE. I would hesitate to put any kind of time constraint on what we are doing, Mr. Chairman. There is no time constraint, implicit or explicit, in the joint communique. We will simply let history determine the course of events.

The CHAIRMAN. Was this matter discussed in any detail with our friends in Japan?

Ambassador HOLDRIDGE. Not in detail, Mr. Chairman. However, we have kept a number of friendly countries apprised of the general tenor of our discussions with China, and Japan was one of these countries. I wouldn't want to go any further into details.

The CHAIRMAN. When will the administration send up the formal notification on the F–5E coproduction extension?

Ambassador HOLDRIDGE. You can be sure that will reach you prior to the time Congress goes out of session for the Labor Day recess.

The CHAIRMAN. Maybe you can tell us when we were going out of session.

Ambassador HOLDRIDGE. I am sorry. [Laughter.]

I leave it to you to predict when that happy day comes.

The CHAIRMAN. I do not think even Senator Baker knows at this stage.

What would you consider to be the annual dollar limit on sales of arms to Taiwan? Does the administration intend to sell arms valued at that amount on a yearly basis?

Ambassador HOLDRIDGE. I do not believe I can say with any degree of assurance we have gone that far into detail. We have no figures in mind of any dollar limit at this stage. I will simply say that we will carry out the policy outlined in the joint communique, premised, of course, on the Chinese maintaining what they describe as a fundamental policy of a peaceful approach to the Taiwan question.

The CHAIRMAN. You have used the words "reduce gradually." Could you amplify what those mean? We did reach, after all, a very high level of sales to Taiwan in 1980. Subsequent sales have been substantially less than that. Are we relating gradual reduction to the high level of 1980 or to a subsequent lower level, and does that reduction in sales have to go in immediately, or could it be somewhat delayed?

Ambassador HOLDRIDGE. Surely. We are thinking about the level of arms sales since normalization, 1979 to the present. As you indicated, 1980 seems to have been a high year. We will establish something of a base line within that framework. We can assure you, however, that these levels, even with the reductions that we envisage, will be sufficient to take care of Taiwan's needs for the foreseeable future, based again on the continuing observance by the PRC of this fundamental policy of the peaceful resolution of the Taiwan question.

The CHAIRMAN. Does the administration have a plan for the sale of arms to Taiwan over the next year? What sales will be made in addition to the F–5E coproduction agreements?

Ambassador HOLDRIDGE. Of course, we would contemplate ongoing sales, but we have no such plan at this time.

The CHAIRMAN. I would like to go back over the six points that you mentioned today just for necessary emphasis I think for all of us.

First, these are assurances to Taiwan that the administration has not agreed to a cutoff date for arms sales to Taiwan. Second, the administration has not agreed to amend the Taiwan Relations Act. Third, the administration will not pressure Taiwan into accepting

the PRC reunification proposal. Fourth, the administration will not play a mediating role between the PRC and Taiwan. Fifth, the administration will not consult the PRC about future arms sales. Sixth, the administration has not recognized PRC sovereignty over Taiwan.

Were these items specifically furnished to Taiwan in advance, and were they discussed with them?

Ambassador HOLDRIDGE. Let me say, Mr. Chairman, over a month ago the people on Taiwan became aware through appropriate channels that these points which you have outlined——

The CHAIRMAN. Over a month ago?

Ambassador HOLDRIDGE. Over a month ago. I might say I would not agree with your phraseology precisely of those six points. We have not agreed to hold prior consultations with the Chinese on arms sales to Taiwan.

The CHAIRMAN. If Chinese military capability increases, will we increase arms sales to Taiwan beyond current levels if necessary to maintain the current military balance?

Ambassador HOLDRIDGE. Let us say that everything is predicated again on the military situation and the political situation attendant to the Taiwan straits and the Taiwan question. Again, we will make our judgments based upon these conditions and act accordingly.

The CHAIRMAN. The President's communique emphasizes throughout the "expectation"—he used the words "full expectation"—that the approach of the Chinese Government to the resolution of the Taiwan issue will continue to be peaceful, and he uses the term "peaceful" throughout.

That, to me, is the essence of it. That is what I have discussed directly with the PRC—an absolute condition precedent to a policy on Taiwan. Obviously, if there is no developed capability in amphibious forces for something offensive like that, then there can be some moderation of sales to Taiwan. If, for instance, the situation changes and there is an obvious effort to build the capability either to intimidate or ultimately to use force, then I think that would be quite a different thing.

Is there that flexibility and understanding in our arrangement that any gradual reduction of arms sales is conditioned upon a continued peaceful approach to a resolution of problems? And if that changed in any way and the resort to force might be implied by actions taken, then that would enable us within the context of the Taiwan Relations Act and this communique to provide whatever was necessary for the reasonable defense of Taiwan?

Ambassador HOLDRIDGE. That is a correct position, Mr. Chairman.

Let me say that I would also add we have no reason to believe China is contemplating any change in its fundamental policy of a peaceful resolution of the Taiwan question.

The CHAIRMAN. No. I have not seen any indication either at this point.

Thank you very much, Mr. Secretary.

Senator Pell.

Senator PELL. Mr. Secretary, I was struck in your statement by two expressions. You mentioned that any policy we have is in the context of our historic obligation to the people of Taiwan. I like that phrase "people of Taiwan." And then you said the solution would be worked out by the Chinese themselves. By "Chinese" you presumably mean mainland China and the Government of Taiwan. But when you talk about a historic obligation to the people of Taiwan, were you thinking of

the 2 million from mainland China or the 16 million Taiwanese who were there prior to their arrival?

Ambassador HOLDRIDGE. When we talk about the people of Taiwan, Senator Pell, we are talking about the totality.

Senator PELL. That totality, as you know, a small minority has controlled through marital law for the last 30 years, but you feel they should be considered as one ball of wax?

Ambassador HOLDRIDGE. We do, indeed.

Senator PELL. I note that the Chinese position is given as "peaceful reunification," while our language says "peaceful resolution." These two versions I think show a certain contradiction. Do the formulations mean the same thing to both sides?

Ambassador HOLDRIDGE. We have defined the Chinese phraseology in our own terms, and the Chinese have not objected to that. Let me state that Chinese on both sides of the Taiwan strait hold that there is but one China, and in other words, from their standpoint the resolution of the question would indeed be reunification. We do not see any logical problem in this arrangement.

Senator PELL. Have we told the Chinese at any time in the American view nothing in the communique precludes American support for a separate, independent Taiwan in the event that the people of Taiwan determine one day that is their wish?

Ambassador HOLDRIDGE. As I said, Senator Pell, the only position we take in this matter is that the resolution of the Taiwan question should be by the Chinese people themselves. Our only responsibility with respect to this situation is that this resolution be by peaceful means.

Senator PELL. So our emphasis is on peaceful means.

Ambassador HOLDRIDGE. Peaceful means, yes. And we do not take any position on the ultimate outcome.

Senator PELL. But we would have no objection if one day the Taiwanese exercised their numerical majority—not exercised but exploited their numerical majority and decided they wanted to be free and independent. We would not interfere with that.

Ambassador HOLDRIDGE. That is a hypothetical question, Senator Pell.

Senator PELL. It would not be if there were an election. [Laughter.]

Ambassador HOLDRIDGE. We do not see any trends in that direction at this time.

Senator PELL. As you know, I have very strong views on this. I think there should be a free and independent Taiwan governed by the Taiwanese, but I realize that is not government policy for the moment, although I hope eventually it will become our Government's policy.

Thank you, Mr. Chairman. No further questions.

The CHAIRMAN. Thank you.

Senator Helms.

Senator HELMS. Thank you, Mr. Chairman.

Let me say, Mr. Secretary, that—I say this with all friendliness—I cannot imagine many foreign policy acts by this administration which would disappoint more friends of President Reagan. This flies in the face of the platform he endorsed in 1980.

I will agree with you that it is a rather clever configuration of rhetoric, but there is only one interpretation that the people of Taiwan, the Government of Taiwan can place on it. This is another defeat for them. You said, "There is some upset in Taiwan." You had better believe it.

I was interested that you did not wish to discuss further with the chairman the contacts you have had with the officials of Taiwan. I hope, Mr. Chairman, that we can go into that because I think that is important, whether it be in executive session or whatever.

Mr. Secretary, again with all due respect and all friendliness for both you and the President, I am very disappointed.

Ambassador HOLDRIDGE. I appreciate that, Senator Helms.

Senator HELMS. You said this was consistent with the Taiwan Relations Act. Will you tell me, sir, where in the Taiwan Relations Act it says that defense sales to Taiwan shall be gradually reduced?

Ambassador HOLDRIDGE. It says in section 3A, Senator Helms, that the sale of defense weaponry or defense services to Taiwan shall be judged based upon our judgment of Taiwan's military needs. And as President Reagan wrote to Premier Zhao Ziyang on the 5th of April last, that obviously if China continues to maintain a peaceful approach to the Taiwan question, then needs will be reduced commensurately, and there can be a gradual reduction in arms sales.

Senator HELMS. You missed the point. The Taiwan Relations Act, as I read it and recall it, allows sales to go up or down depending upon the need. This is a one-way street—down.

Ambassador HOLDRIDGE. Not necessarily, Senator Helms.

Senator HELMS. Excuse me, sir, but what does this communique say?

Ambassador HOLDRIDGE. It says predicated upon the continued observance of a peaceful approach to Taiwan by China, their fundamental policy as they describe it, being implemented in a peaceful way. Then and only then can we effect a gradual reduction in arms sales to Taiwan. Conversely, if the circumstances were to change, as I have noted also to the chairman, we would have to reassess our policy.

Senator HELMS. Are you saying to Senator Percy and me that you regard this communique as saying to the PRC that one of these days we may decide to elevate sales to Taiwan?

Ambassador HOLDRIDGE. We would not decide to elevate sales of arms to Taiwan unless there was a need as defined in the Taiwan Relations Act. And so long as there is no probable military threat, so long as there is the maintenance of a peaceful policy, obviously this has a bearing on the judgment of military need.

Senator HELMS. I find some comfort in that statement, Mr. Secretary, because implicit in it is your recognition that the Taiwan Relations Act is the official statement of relations with the Government of Taiwan; is that correct?

Ambassador HOLDRIDGE. Let me say, Senator Helms, I have made it very plain personally and we as an administration have made it very plain to the Chinese from the very start that everything we did in reaching this joint communique had to be compatible with the Taiwan Relations Act.

Senator HELMS. Well, this is something we can go into in terms of incompatibility perhaps, Mr. Chairman.

You mentioned in your statement—and I do not think I took it down exactly right—but the effect of it was that U.S. friends and allies will be reassured—I do not think you used the word "reassured"—by this communique. Do you remember your exact words?

Ambassador HOLDRIDGE. Yes. I recall that, Senator Helms. Let me assure you I was out of the country twice for extended periods of time this spring, first with the Vice President when he made his trip to

China, Japan, Korea, and then Singapore, Australia, and New Zealand, and then later on I was with Deputy Secretary Stoessel when he went to first the ASEAN dialog in Singapore following the foreign ministers meeting and then the ANZUS council meeting in Canberra thereafter. Following the Canberra meeting I backtracked and went to Djakarta, Bangkok, and Rangoon.

And let me tell you, sir, in every one of these countries apprehension was expressed to us by the senior leadership of those countries over the possibility there could be a setback in U.S. relations with China.

Now, regardless of what the individual policy of the country was with respect to China—and I do not think it is any secret that in some Southeast Asian countries they are worried about the potential threat of China once China gets its act together and becomes strong and vigorous—nevertheless, in terms of the peaceful situation in East Asia, they all felt that a rupture in our relationship with China would be very detrimental. They were concerned.

Senator HELMS. We will leave to another day the discussion of the realism of whether this will or will not have any effect practically speaking. The thing that bothers me, and this is fundamental, is I cannot recall in the history of this country where we have allowed a third country to dictate—and that is what this amounts to—to dictate the relationship between the United States and a second party.

This is a fundamental departure in terms of foreign policy insofar as I know, but you may have some other instances where a third nation has been able to do that, but I cannot recall one.

You said life will proceed in Taiwan. You said that a number of times. Well, sure, you are right. But it is not a matter of whether life will proceed but how it will proceed. And this is a question with respect to our friends on Taiwan who, after all, are anti-Communist. They have been our friends through thick and thin. And I think it is important and it should have been important to the distinguished President of the United States, whom I have supported for a long time, as to what perception they will have.

Are we discussing arms sales to Taiwan with Taiwan, or are we just sitting in Peking talking about it?

Ambassador HOLDRIDGE. We are not discussing arms sales to Taiwan with Peking, I can assure you.

Senator HELMS. I did not ask you that.

Ambassador HOLDRIDGE. On the other hand, the question of arms sales to Taiwan is a matter which will be reviewed with the appropriate people from time to time.

Senator HELMS. But for the present time we are discussing what we will do with Taiwan with the People's Republic of China.

Ambassador HOLDRIDGE. We are not discussing it with anyone other than the people of Taiwan.

Senator HELMS. Mr. Chairman, I think I will surrender the rest of my time.

The CHAIRMAN. Thank you, Senator Helms.

On the question about other countries establishing a relationship on arms sales to a second country, we should not overlook, of course, the Middle East where there are strongly held views on the Arab side about what they consider excessive sales to Israel and Israel's efforts to cut back the sales of AWACS and other arms to other countries. So there is precedent for it, but it is not a good precedent.

Senator HELMS. No; it is not good. It might have some vague relevance, Mr. Chairman, but not in a position of saying relations will break down between the United States and this country if you do so and so for this country. That is the point I make.

I thank the chairman.

The CHAIRMAN. Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman.

In the Taiwan Relations Act we tried to establish a neutrality, a position that would accomplish a lot in the whole diplomatic area by a very unique document. It was a balance that was required, but it appears to me, as other committee members have also indicated, that when we set quantitative limits and qualitative limits no matter what happens in the future, and we commit to reducing the arms sales, that we certainly undercut the Taiwan Relations Act. And that is an understatement to say that we just undercut it.

Do you still consider the Taiwan Relations Act to be the guiding policy for our relationships with both nations?

Ambassador HOLDRIDGE. Well, certainly in our relationship with the people of Taiwan; yes. As I have pointed out to you, it has to be a factor in the kind of communique which we have reached with the People's Republic of China. If you would like to get into the question of legality, I have with me Mr. Fortune from our legal department who could address that.

Senator GLENN. I may want to get into that later if time permits.

On our relationship with Taiwan, as to types of new arms to be sold, we have only mentioned a dollar basis here. Are there quantities? Will there be a number—numbers of tanks, numbers of weapons carriers?

Ambassador HOLDRIDGE. There are all sorts of factors we would want to take into account, Senator Glenn. There would be numerical factors. There would be financial factors. There might be technological factors. All of these will be taken into account.

Senator GLENN. What does "gradually reduce" mean? Does that mean 1 year, 10 years? Will it be starting immediately? How do you define it?

Ambassador HOLDRIDGE. We will not operate on the assumption that we will delay in this whole process. We have come to an agreement—not an agreement but an understanding with the PRC, and I think they expect us to carry out in good faith as we expect them to carry out in good faith the commitment to carry out a fundamental policy of working toward the peaceful resolution of the Taiwan question, so there is an obligation on both sides.

Senator GLENN. That does not answer my question. Is it 1 year, 20 years?

Ambassador HOLDRIDGE. There is no time frame established in this document.

Senator GLENN. What do the Chinese expect? What does the PRC expect?

Ambassador HOLDRIDGE. I have no idea what the Chinese expect. This is something we will have to work out over an historical period of time.

Senator GLENN. Did they suggest during the negotiations a certain date?

Ambassador HOLDRIDGE. They have not done so. Once we abandoned the whole idea of setting a date certain or setting a date for termina-

tion of arms sales within a specific period of time, there has been no subsequent discussion of this issue.

Senator GLENN. Do our responsibilities change as arms sales to Taiwan go down?

Ambassador HOLDRIDGE. Our obligations are defined by the Taiwan Relations Act.

Senator GLENN. Right. That is exactly correct. That is the point I wanted to make. In the opening part of the Taiwan Relations Act it says it is the policy of the United States to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security or the social or economic system of the people on Taiwan. This would indicate to me that if we are serious about carrying out the Taiwan Relations Act, then as their ability to defend themselves may go down, we assume a greater responsibility for the security of Taiwan from any attack.

Is that your interpretation?

Ambassador HOLDRIDGE. That would be in the absence of the Chinese carrying out what is a fundamental policy. They have described as a fundamental policy working for the peaceful resolution of the Taiwan issue.

Senator GLENN. I agree. But fundamental policies can become unfundamental policies right away, and if the arms balance has been allowed to become a negative balance for Taiwan over a period of years, you cannot make it up in the same time that you could change a "fundamental policy." It would leave the United States responsible for the defense of Taiwan; is that correct?

Ambassador HOLDRIDGE. Two things. Let me say first of all we will be watching the situation carefully through the various means available to us. And when I say watching the situation, I mean in the military sense in terms of deployment and capabilities; I mean in the political sense in terms of policies which are being implemented, taken in conjunction with the situation along the Taiwan strait on both sides, the military capability for Taiwan—all of these things go into the equation. And as I say, we will be watching it very carefully. In the meantime, we are confident that under the provisos of this joint communique and under the provisions of the Taiwan Relations Act, given the status which Taiwan now has in that particular defensive capability sense, that Taiwan's needs will be met for the foreseeable future.

Senator GLENN. Let me come back to the time again. It is inconceivable to me we could have negotiated this for 11 months and not have brought up a suggested specific time limit for when these arms sales will cease.

Ambassador HOLDRIDGE. Inconceivable as it may seem, Senator Glenn, no time limit is defined in that joint understanding.

Senator GLENN. I know that. I did not ask that. I asked what came up during the negotiations as to a suggested time limit. I am trying to get around to what the PRC expect. We will raise expectations of a cutoff, and then we will be under great pressure because we did not fulfill what they thought would happen. There must have been some time limit put to this. What was it?

Ambassador HOLDRIDGE. There was no time limit suggested to us, even in terms of a setting of a definite time frame for the total cessation of arms sales.

Senator GLENN. Then, as we see it right now, this could well become our guiding policy for the next 100 years, and we would very gradually reduce.

Ambassador HOLDRIDGE. Except that we say we do not intend to pursue a long-term course of arms sales to Taiwan.

Senator GLENN. Then let us cut it back then. If it is not 100 years, is it 50?

Ambassador HOLDRIDGE. I would hesitate to try to define this, Senator Glenn. I think your guess is as good as mine.

Senator GLENN. We surely have an open-ended thing here. I will leave it at 100 then for the benefit of Taiwan, although that does stretch it out quite a ways.

Ambassador HOLDRIDGE. You may set a hundred. Maybe others would set different limits. I simply want to say there is no specified time frame under which we operate.

Senator GLENN. Let me turn this around then. Has the PRC indicated how long they will pursue their peaceful approach before it becomes less peaceful?

Ambassador HOLDRIDGE. Nothing has been said on that score, but let me remind you of the definition in Chinese of the word "fundamental," da zheng fang zhen, which as I said, could be taken in the context of unchanging, long term, a great guiding principle.

Senator GLENN. And I would repeat right back to you then, this great guiding principle in their words is reunification. The option for independence or any other solution is not there no matter what the people of Taiwan might want in the future. We very carefully used the word "resolution." The Chinese have used the word "reunification" to mean they intend to be reunified one way or the other.

Ambassador HOLDRIDGE. Paragraph 4 speaks of the Chinese position. Paragraph 5 speaks of ours in which we define their policy as working toward the peaceful resolution of the Taiwan question. This was not objected to by China in reaching agreement on this joint communique.

Senator GLENN. Go ahead.

Senator PELL. This leaves open the question of whether there will one day be an independent Taiwan.

Senator GLENN. Exactly right. We started out with leaving open what the final resolution would be out there. Originally, and I do not have the exact language here, we used to say that the United States acknowledges the position that both sides out there say it is one China, and then this spring in the Reagan letter to some of the Chinese officials, we expressed—and his is not an exact quote again either—that it is now U.S. policy that it is one China, but that our unofficial relationship with Taiwan will not interfere. That is a big change.

Ambassador HOLDRIDGE. Let me say from the very outset of this administration we have been trying to maintain a balance. On the one hand, we have been trying to maintain and enhance an unofficial people-to-people relationship with the people of Taiwan which contains many elements in it. The President has felt very strongly that we should improve that relationship both in style and substance. On the other hand, we have tried to maintain and enhance an official relationship with the PRC based upon our strategic understanding of the value of that relationship. We have tried to maintain this balance ever since. You cannot have the one without the other. And this is what we have been trying to do.

Senator GLENN. Were the Japanese kept advised throughout this negotiating process? What was their reaction to the announcement today?

Ambassador HOLDRIDGE. I have not had a chance to talk to the Japanese yet. I may have a chance subsequently today to have some discussions with them. But let me assure you and tell you candidly that the Japanese were among the most worried that there would be a deterioration in U.S. relations with China over the arms sales issue.

Senator GLENN. I can understand that, certainly. But is there not also an interpretation by some Japanese that this shows a lessening of our reliability and consistency as a partner for military purposes in the Far East?

Ambassador HOLDRIDGE. On the contrary, I think they would admire our dexterity in steering a tortuous course between these two extremes.

Senator GLENN. And back to the legalities of this—and I see my time is about up—do you plan to submit this for congressional approval, do you feel that this is an executive agreement that must be submitted under the Case Act or that there are any other legal requirements to submit this?

Ambassador HOLDRIDGE. This is not an agreement. It is a statement of intention of policy on both sides. And I do not believe the President believes that this must be submitted to the Congress.

Senator GLENN. Let us say the communique was transformed into the form of an agreement.

Ambassador HOLDRIDGE. Excuse me. My colleague tells me we would submit it for information purposes under the Case Act.

Senator GLENN. Let us say if it were transformed to the form of an agreement and submitted to us, do you think it would be consistent with the Taiwan Relations Act?

Ambassador HOLDRIDGE. Absolutely, Senator Glenn. I have been telling you all along that in everything we have done, we have been using as a yardstick the Taiwan Relations Act—our judgment of Taiwan's military needs. We have predicated certain circumstances in this joint communique under which we can agree to reduce our arms sales gradually over a period of time. But this is again contingent upon the maintenance by the Chinese of a peaceful policy with respect to Taiwan.

Senator GLENN. My time is up. But I would like one other clarification. When you were reading your statement, will you go back to the part where you said something about a deterioration toward hostilities?

Ambassador HOLDRIDGE. No; I did not say that. I think I was referring there to a question that had been raised by Secretary Pressler, and I said our foreign policy objective was to preserve a valuable and strategic relationship which otherwise might well, and probably would, have undergone a serious and possibly fatal deterioration.

Senator GLENN. This was in your original statement.

Ambassador HOLDRIDGE. That is my original statement.

Senator GLENN. About halfway through you said something about deterioration toward hostilities. I was not sure I heard it correctly, and it is an important difference.

Ambassador HOLDRIDGE. I do not think you heard me correctly.

Senator GLENN. Would you read through there and tell me what you said, because it is a very important difference I want to get clarified.

Ambassador HOLDRIDGE. The only thing I can recall is I did mention in 1958 in the Quemoy-Matsu situation we came very close to a major war.

Senator GLENN. Continue. Do you have that in your statement there?

Ambassador HOLDRIDGE. I think the only thing I mentioned about deterioration was in response to Senator Pressler's question.

Senator GLENN. This was in your original statement. I made note of it when you were reading your original statement.

Mr. ROPE. Here it is.

Ambassador HOLDRIDGE. This may be it, Senator Glenn. The alternative to our agreeing to hold such discussions would clearly have been the beginning of a process of deterioration in our relations, a deterioration that could have led us back toward hostility, since the issue itself was volatile and basic.

Senator GLENN. Have the Chinese indicated that if we did not go through with this, it might mean hostility?

Ambassador HOLDRIDGE. I am simply saying, no, the Chinese talked about a retrogression. But the point I would like to bring out here is had there been a retrogression, who could have said how far down the scale that retrogression would have led?

That is the point I am bringing out. It could have led us back toward hostility. I am not saying it would have been an inevitable consequence within a short period of time. But quite clearly, the maintenance of a peaceful relationship is far better than the maintenance of some other relationship. If we had had some other kind of relationship, who could have told where it would have led.

Senator GLENN. I hope we do not feel so pushed on this that we were afraid that if we did not give on what they wanted it was leading down the road toward potential hostility between the PRC and the United States.

Ambassador HOLDRIDGE. I am pointing out there were no threats from the Chinese, but those were possibilities that might ensue.

Let me address the question of Taiwan in that context. In our judgment, one of the best assurances for the continued security and peace for the people on Taiwan is the maintenance of good relations between the United States and China, in which China on its part is maintaining a fundamental policy of peaceful resolution of the Taiwan question. Without that good relationship between the United States and China, all bets are off.

Senator GLENN. I would say I hope we are maintaining the balance that the Taiwan Relations Act intended. I do not think we are doing that with this new policy. And I think it is obvious to other members of the committee. My time is up.

Ambassador HOLDRIDGE. Senator Glenn, in executive session, I would be happy to bring to you and show you some of the negotiating record we have with respect to this long and tedious process we have undergone. And I can show you that we have indeed been very careful to observe the Taiwan Relations Act.

Senator GLENN. I know that. But when we go down in quality, there is no way we can say it is not doing violence to the Taiwan Relations Act.

Ambassador HOLDRIDGE. Except it is based on the premise of need, Senator.

Senator GLENN. We do not know the time limit. We do not know

whether the PRC expects this within 6 months or 600 years. We do not know any of the details of what they expect. So I cannot see that it is the same old Taiwan Relations Act.

Ambassador HOLDRIDGE. We have a framework here for the resolution of our differences over a period of time. No one specifies the timeframe, and I think that is helpful to us.

Senator GLENN. Thank you.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you.

Senator Tsongas.

Senator TSONGAS. Mr. Secretary, some time we have had Secretaries here enunciating a policy, and you wonder whether the Secretary in question is committed to it. I do not have that problem today. [Laughter.]

I have three short questions, and then I would be glad to yield the rest of my time to Senator Glenn if he has further inquiries.

You spoke about consultation with our allies. Does that include the Europeans?

Ambassador HOLDRIDGE. To a certain extent; yes. I would not say we have consulted or talked with our European allies to the extent we have with our East Asian allies. To the European countries I think that China and East Asia sometimes seem rather remote. We have kept them generally informed. And I will probably be seeing some of our European allies subsequently to bring them up to date on where we stand.

Senator TSONGAS. And their reaction is?

Ambassador HOLDRIDGE. Again. I am sure they all feel very strongly it would be a very serious setback for the United States in a strategic sense and for the world as a whole if this relationship were to suffer a deterioration.

Senator TSONGAS. Are there nations that have signaled to us their dismay over this communique?

Ambassador HOLDRIDGE. None have signaled any dismay. But I can tell you on the other hand the United Kingdom, France, and the Federal Republic of Germany have all gone the other way and expressed to us serious concern over the possibility of a deterioration in our relationship.

Senator TSONGAS. So in this policy we are virtually at one with our allies?

Ambassador HOLDRIDGE. Yes: and as I outlined to Senator Helms, our Asian friends and Asian allies have felt the same regardless of what their individual policies might be with respect to China. The prospect of a deterioration in U.S. relations with China would cast a shadow over the peaceful environment which now exists over much of the East Asian scene.

Senator TSONGAS. We are not often at one with our allies these days. Namibia, I guess, would be an example. This would be No. 2. It would be good to see it happen once in a while just for the sake of how it feels.

A question that Senator Glenn raises is somewhat similar. If you have, in essence, a peaceful relationship between Taiwan and the PRC and yet you have the increase in armaments by the PRC at a level that threatens Taiwan, so in essence they adhere to the language of the communique—in other words, a peaceful approach—and yet in terms of the military preponderance there is such a disparity that it has the equivalent effect of a hostile approach, would that cause a rethinking?

Ambassador HOLDRIDGE. I think we would have to take into account the military disposition of those forces and also act in conjunction with the political scene as we would judge it based upon our own analyses. I can conceive of a situation where there might be a threat along the Sino-Soviet border, for example, where China would want to increase its military strength considerably and, in fact, would increase rather markedly the numbers, quantities, and qualities of the forces stationed along the Soviet border.

If those appeared to be pointed in the direction of the Soviet Union and not Taiwan, I do not think our basic judgment would necessarily change. On the other hand, if we saw dispositions moving in the direction of Taiwan, we would have to take that into account.

Senator TSONGAS. And by "take it into account," we are where?

Ambassador HOLDRIDGE. And by taking it into account, we would have to make an assessment as to whether the situation was such that we could judge China was still pursuing a fundamental policy of a peaceful resolution of the Taiwan question.

Senator TSONGAS. I think Senator Glenn is correct in the sense that if the disparity opens up to such a degree you cannot rectify that in a very short period of time and what you are ultimately left to is a question of whether the United States would come to the aid of Taiwan. I do not want you to answer that.

Ambassador HOLDRIDGE. I can say one thing there, Senator Tsongas; the way things stand today, if the People's Republic of China wanted to take Taiwan by force of arms, it could do so, even with the military situation as it now exists, in which there are certain technological advantages Taiwan possesses. Regardless, if China wanted to throw in the masses of men and materiel and the effort into taking Taiwan, Taiwan could be taken.

Senator TSONGAS. And our response would be?

Ambassador HOLDRIDGE. I leave that question open.

Senator TSONGAS. I guess the question would be after it was?

Ambassador HOLDRIDGE. I am sorry?

Senator TSONGAS. The question would be after it was taken, our response?

Ambassador HOLDRIDGE. I leave the question open.

Senator TSONGAS. It must have been excruciating for Ronald Reagan to have made this decision, given what he has said in the past and his commitment to Taiwan. How did you do it? [Laughter.]

Ambassador HOLDRIDGE. Let me quote what the President said again in his statement. I had it in my opening statement. I will read it for you once more.

Senator TSONGAS. I heard it, and I read it previously. Who wrote that?

Ambassador HOLDRIDGE. I think one must attribute what comes from the President of the United States to the President of the United States.

Senator TSONGAS. Since when? Is that a new policy. It was not true in prior administrations, I know that. [Laughter.]

Well, let me ask you in a different way. When someone changes their longstanding positions when one is in politics, it is because reality has come home to beat you over the head and you drop your dogma by the wayside. Is the reality in this case Russia? Is that the prime consideration we are dealing with here?

Ambassador HOLDRIDGE. I would hesitate to say there has been that much of a change. I would like to go back to the beginning of this administration when the President made it very plain that what we were trying to do is maintain this balance: On the one hand, the unofficial relationship with Taiwan and the official relationship with China on the other hand, based upon a strategic appreciation of the value of the relationship. I do not think it is any secret to say the strategic world situation does take into account the Soviet Union.

Senator TSONGAS. Well, obviously. But I am trying to get a sense of priorities. Would you put that at the top?

Ambassador HOLDRIDGE. I am sorry?

Senator TSONGAS. Would you put that at the top? If we are worried about the strategic relationship with China, we are not concerned they will attack us. But the relationship of Brezinski, and others, Kissinger, that is being continued, I assume?

Ambassador HOLDRIDGE. There are a lot of other things in the relationship that transcend the Soviet role. There is the maintenance of peace in Asia. We have a common purpose with respect to Vietnam and its invasion of Kampuchea. We both want to get the Veitnamese out. We have the same view toward developments in that part of the world; the Kampuchean coalition government, for example, getting the Soviets out of Afghanistan. This again relates to the U.S.S.R., and I must say that the Soviets are certainly playing a role in Vietnam as well, sustaining the Vietnamese occupation.

Nevertheless, it is not the Soviet Union as the Soviet Union which concerns us in this geopolitical situation with respect to China, but also what is happening in other parts of the world and what we can do to promote world stability and peace.

Senator TSONGAS. Let me say I think you have a very difficult situation to deal with that had to be dealt with. And I think the ambiguity in your statement is remarkable, in light of the communique, and I would not want it any other way. If you defined what you were doing, I would be horrified. And I think everyone else would be, whereas the way you did it now, we all walk away saying that is exactly what I thought even though it may not be.

I simply say from a domestic political perspective, that Richard Viguerie will raise a fortune as a result of this communique. And that is something you will have to deal with. Thank you.

Senator PELL [presiding]. Thank you. I have no further questions. But I believe the chairman does. I must say I admire you very much, Mr. Secretary. You have a very professional way of handling things, a great talent for legerdemain.

Senator TSONGAS. And not for suffering disagreement very well, I would say. I have a question, since we have a few moments.

The issue of the independence of the native Taiwanese people you speak of, Senator Pell, I was not aware that there was any historical precedent other than apparently during the Japanese occupation of Taiwan for most of the——

Senator PELL. The Secretary knows Far Eastern history far better than I, but it was originally settled by some natives who are still there. Then some hundreds of years ago the Chinese came to the Island of Formosa or Taiwan about 400 or 500 years ago and settled it and developed a culture rather different from the Chinese culture that developed in the mainland.

We should bear in mind that Japan was settled by Chinese several thousand years ago, and obviously that is a very separate nation. And Taiwan developed national characteristics in this period with a dislike for the motherland or the mainland almost as intense as the American dislike for the motherland of Great Britain after a couple of hundred years of exposure there.

Senator TSONGAS. All right.

Ambassador HOLDRIDGE. I would think, Senator Pell, if I may comment, though, that the differences were far more perceptible right after World War II than they are now. Since 1949—that is 33 years—there has been a long tradition of these two elements, the mainlanders and the people of Taiwan, the Taiwanese getting together. The younger generations from both groups go to the university together. The Taiwanese are moving into politics, into business.

The differences over a period of time have been reduced. I will not say they are entirely gone. I would simply give it as an opinion that those who would advocate a separate status for Taiwan are not in a majority.

Senator PELL. It has been under martial law for more than 31 years.

Ambassador HOLDRIDGE. Yes, it is still under martial law.

Senator PELL. In your opinion, if there were a free election, what is your own view regarding the party the Taiwanese would choose?

Ambassador HOLDRIDGE. I think most people would vote for their ricebowl, and it looks as if the situation which has given Taiwan a lot of economic benefits would continue. Whoever offered that type of economic benefit would win. In many cases, you find in other countries, if there is an economic situation helpful to the living standards of the people, some of the political differences get plowed under, and that has been one of the great advantages in Taiwan.

Senator TSONGAS. Can one interpret from that that the ideological commitment to the eventual unification is stronger among the mainlanders who have come over?

Ambassador HOLDRIDGE. I would not want to make any value judgments on that. I would say in some cases yes, and in some cases no.

Senator TSONGAS. Well, I think that answer is consistent with the communique. [Laughter.]

We will leave it at that.

Ambassador HOLDRIDGE. I would be very happy, Senator Tsongas, on some other occasion, not on the record, to discuss with you in more detail the situation in Taiwan as we see it. I think some of my friends from the PRC sitting behind me might have a different point of view, and you might like to talk to them sometime also.

Senator TSONGAS. As I said, it is a very delicate situation, and you have handled yourself well. Thank you.

The CHAIRMAN [presiding]. Thank you, Senator Tsongas and Senator Pell.

I have just a few questions remaining.

In paragraph 4, the administration has permitted the Chinese inclusion in the communique of a statement that the PRC will strive for peaceful reunification. This clearly leaves open the option of military force. Why has the administration agreed to this?

Ambassador HOLDRIDGE. Because I think when the Chinese say they are going to follow a fundamental policy, we say, all right, let us give them the opportunity of demonstrating they will do so and not question anything else, not go into the situation any further.

The CHAIRMAN. In addition, have you by implication agreed that reunification is the only ultimate solution, thus ruling out other solutions?

Ambassador HOLDRIDGE. You will recall in paragraph 5 we specifically state that we speak of the resolution of the Taiwan question.

The CHAIRMAN. In the earlier discussions and again today you have attached some importance to the words "fundamental policy," contained in paragraph 4. And they appear to have some special meaning either to you or the PRC. Can you explain "fundamental policy" and what it means to the administration and to the PRC?

Ambassador HOLDRIDGE. Yes. If we look at the Chinese characters—I think I did go into that somewhat in the previous discussion—we look upon them as meaning a policy that is unchanging or long term. And again, if you take the Chinese characters literally, that could mean "great guiding principle." And that does contain within it a kind of overriding importance with respect to policies in which other more transitory policies would certainly not take precedence.

The CHAIRMAN. In paragraph 5, the U.S. paragraph, so-called, you speak of the new situation providing "favorable conditions." What precisely do you mean? What new situation and what favorable conditions are being referred to?

Ambassador HOLDRIDGE. It is the use of the word "fundamental," Mr. Chairman. Previously, when China spoke of its policy of peaceful reunification, and so forth, they never prefaced that policy with the word "fundamental." Only in the course of our discussions this year did that word "fundamental" appear, and that creates a new situation because they have defined their policy as, in effect, being a long-term and unchanging one.

The CHAIRMAN. Paragraph 6 of the communique speaks of a "final resolution and a thorough settlement," as we discussed. These both appear to be allusions to the termination of arms sales to Taiwan, and the wording commits the United States to this. Should we assume the United States is committed to terminating arms sales? And is this a contravention of the Taiwan Relations Act?

Ambassador HOLDRIDGE. There is nothing said in this communique about termination of arms sales. In fact, that was one of the elements we resisted most vigorously from the very start. We made it apparent to the Chinese that no President of the United States could ever accept the situation in which we would accept a date certain or a termination of arms sales to Taiwan.

The CHAIRMAN. In paragraph 9, the United States commits itself to further consultations with the PRC on bilateral issues; that is, arms sales to Taiwan. Does this contravene the TRA, which says that decisions on arms for Taiwan would be made by the President and Congress alone, specifically ruling out the PRC? Is it wise to commit the United States to such a course of action in advance? A question very similar to that was raised by Senator Helms before.

Ambassador HOLDRIDGE. We have said that we certainly do not regard the subject of arms sales to Taiwan as being an appropriate subject for prior consultations with China.

The CHAIRMAN. You did say also that there would be no prior consultation with the PRC on arms sales to Taiwan. How do you then reconcile that statement with the statement I have just read from paragraph 9?

Ambassador HOLDRIDGE. I addressed that question at the end of my statement. Actually, the whole question of arms sales, we believe, is

something that should remain outside the purview of consultations. That was again one of the elements in our discussions with China.

The CHAIRMAN. One last question on the situation involving Hu Na, the 19-year-old female tennis player who defected to the United States. I understand that there is no danger of Hu Na being sent back to China against her will. Is that correct?

Ambassador HOLDRIDGE. We are still studying the situation, and we have not yet come up with the kind of judgment we are required to make in this situation.

The CHAIRMAN. Her preference is apparently to receive political asylum rather than to be admitted according to normal immigration procedures, which would be time-consuming and might require her to play professional tennis in the United States. What is the status of your decision on her case?

Ambassador HOLDRIDGE. We are still studying the case, and we have not rendered any decision on it.

The CHAIRMAN. You have no timeframe by which you will try to resolve it?

Ambassador HOLDRIDGE. I could not put a timeframe on it.

The CHAIRMAN. Do you think it can be resolved to her satisfaction?

Ambassador HOLDRIDGE. It will certainly be resolved. I would not want to prejudge by stating here what the decision would be.

The CHAIRMAN. We would be interested in following that case.

Ambassador HOLDRIDGE. I would be very happy to keep you informed, Mr. Chairman.

The CHAIRMAN. I have a number of letters from my Illinois constituents who are very much interested in it.

I do want to thank you very much for your appearance. There is to be a White House meeting with the President on the Taiwan issue today. I believe it is called for 5 o'clock. Regretfully, we have a previously scheduled date for the entire Foreign Relations Committee with Secretary Shultz on the Middle East. And in view of the fact that that does involve the full committee—and I think only a few of the members are involved in the other meeting—I feel it is necessary to decline the invitation at the White House and attend to our responsibility here.

But for the benefit of staff members here who want to be cognizant, there will be two meetings going on simultaneously.

I want to thank you very much for your appearance today. This does fulfill our pledge to have an open hearing on this subject. The committee's analysis of the administration's policy and United States-China relations will continue in hearings we will schedule after Labor Day.

We have a number of questions we would like to have answered for the record in preparation for those hearings, and they will be submitted to you, Mr. Secretary.

Ambassador HOLDRIDGE. We would be happy to address them, Mr. Chairman.

The CHAIRMAN. Again, I thank you for the time you have committed to this committee's efforts.

The meeting is adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. The TRA states that decisions on arms sales to Taiwan will be based "*solely* upon their (the President and the Congress) judgment of the needs

of Taiwan." Yet we now appear to be agreeing to adjust arms sales based on the peaceful intentions of the PRC. Is this in compliance with the law?

Answer. Our recently concluded Joint Communique with the PRC is in full compliance with the law. We will continue to make appropriate arms sales to Taiwan based on our assessments of their defense needs. Our guiding principle is now and will continue to be that embodied in the Taiwan Relations Act: the maintenance of a self-defense capability sufficient to meet the military needs of Taiwan. So long as China maintains a peaceful approach with respect to Taiwan, Taiwan's defense needs will gradually decline over time, and we will expect a gradual reduction in arms sales. We have no reason to believe that China's policy will change. But should that happen, we will be fully able to reassess our own policy.

Question 2. What do you consider to be the annual dollar limit on sales of arms to Taiwan based on this communique? Will that be adjusted for inflation? Will we sell Taiwan arms valued at that amount on an annual basis? If we do not hit the ceiling one year, can we go beyond the ceiling the next year so that the average remains within the limits you described?

Answer. What the communique refers to is a general policy and general trends, not precise dollar requirements. Certainly inflationary factors will be taken into account.

Question 3. What does "gradually" mean? Is that a period of one year, ten years, one hundred years? Could the gradual reduction begin immediately?

Answer. There is no precise definition in this context. The statements of future U.S. arms sales policy embodied in the August 17 communique do not provide either a time frame for reductions of U.S. arms sales or for their termination.

Question 4. What does the language "final resolution" mean? Could a final resolution be the military take-over of Taiwan?

Answer. It refers to a final resolution of United States-China differences over U.S. arms sales to Taiwan. That resolution is not further defined, but it could not encompass the outcome you have posited. Our abiding interest, expressed repeatedly since the Shanghai Communique, is that any resolution of the Taiwan issue (including the resolution of any United States-China differences over Taiwan arms sales) should be peaceful.

Question 5. How do the Chinese interpret the communique? Do they believe that we will eventually cut off arms sales to Taiwan? What time period do the Chinese have in mind?

Answer. Chinese statements which followed the announcement of the communique indicate the Chinese regard the communique as a new starting point for improved United States-PRC relations. They do not regard it as the final solution to our differences over U.S. arms sales to Taiwan. But they share our view that it is a step toward reducing those differences.

The Chinese have also indicated their concern that the words of the communique be followed by deeds. We have made clear to them our intention to implement the communique in good faith, and our expectation that they will do the same. We have refused to accede, however, to the Chinese demand that we agree to the ultimate termination of U.S. arms sales to Taiwan. I do not believe the Chinese harbor any illusions about our policy.

Question 6. How can we agree to maintain the quality of arms sales at current levels without causing an increasing gap in the military balance between the PRC and Taiwan? Will one of the factors in measuring PRC intentions be PRC military capabilities? If PRC military capabilities increase, will we accordingly sell Taiwan what is necessary to maintain the current balance?

Answer. In the communique, the Chinese state in very strong terms their policy of pursuing a peaceful resolution of the Taiwan issue and described this policy as "fundamental." Under these circumstances we see no need for an increase in qualitative or quantitative levels. We will continue to monitor not only China's announced intentions but also its military capability and the manner in which that capability is deployed. Should it become apparent that China's policy has changed or is changing, we would naturally be free to reassess our policy.

Question 7. Does the communique imply that the United States regards the recent PRC Nine-Point Proposal for peaceful reunification as an adequate basis for resolution of the Taiwan issue? Is that proposal the only basis for our conclusion that a new situation has emerged, or do we have other indications that the PRC will continue to pursue peaceful approaches even if they are repeatedly rejected by the people on Taiwan?

Answer. The United States has consistently held that the Taiwan issue is one for the Chinese people themselves to resolve. Our sole interest, which we made clear at the time of normalization, is that any resolution be achieved by peaceful means. We are encouraged that China's Nine-Point Proposal is based on a peace-

ful approach to the Taiwan issue. We take no position, however, on the specific terms of the proposal.

Our reference to a new situation which has emerged on the Taiwan question is to China's declaration in the communique that its "fundamental" policy is to strive for a peaceful solution to this question. This is the first time that they have joined with us in a formal communique to describe their peaceful policy in such strong terms. We regard it as significant that China adopted this policy as far back as January 1, 1979 and has adhered to it consistently since that time.

Question 8. If the PRC maintains its public posture of peaceful approaches to Taiwan and takes no overt military steps which contradict such statements, is that a sufficient basis for U.S. reductions in arms sales to Taiwan?

Answer. So long as China maintains a peaceful approach with respect to Taiwan, Taiwan's defense needs will gradually decline over time, and we will expect a gradual reduction in arms sales.

Question 9. Does this formulation suggest that peaceful overtures by the PRC rather than the objective military balance in the area is now the determining factor for U.S. arms sales? Is this a shift from the standard provided in the Taiwan Relations Act?

Answer. U.S. policy will be determined by a variety of factors. We will continue to monitor not only the announced intentions of the PRC but also its military capacity and deployment. Our sales to Taiwan will continue to be guided by an assessment of Taiwan's defense needs. This position is embodied in the Taiwan Relations Act.

Question 10. Do you consider this communique to be an agreement between the United States and China in any sense? Has the United States committed itself to a course of action which the Chinese can now be expected to rely upon? Doesn't that amount to an agreement in practice?

Answer. The communique is not an agreement but a document which contains statements of future United States and Chinese policy. We expect to implement this policy in good faith and expect the Chinese to do the same. For our relationship to expand, it is useful to clarify for each other our intentions and expectations. The communique serves this purpose without taking the form of an agreement or creating legally binding obligations on either party.

Question 11. If the communique were transformed into the form of an agreement, do you think it would be consistent with the Taiwan Relations Act?

Answer. We have made every effort to be fully consistent with the Taiwan Relations Act and are satisfied that we have achieved that objective.

Question 12. Some have argued that friendly nations in the region might see any sign of a lessening of U.S. commitment on arms sales to Taiwan as an indication of inconstancy or unreliability on the part of the United States. Do you have any indications that any friendly Asian nations might react in this fashion to this communique?

Answer. The reaction of friendly Asian nations to the communique has been strongly positive, both publicly and privately. We have seen no indication that our friends in Asia consider that the U.S. commitment on arms sales to Taiwan represents inconstancy or unreliability on the part of the United States. All the indicators run precisely in the opposite direction.

STATE DEPARTMENT'S RESPONSES TO QUESTIONS BASED ON UNITED STATES-CHINA JOINT COMMUNIQUE OF AUGUST 17, 1982

Question 1. In paragraph 2, the United States recognizes that the sales of arms to Taiwan would seriously hamper our relations with the PRC. Why did we choose to "recognize" this? What will this new communique accomplish that the Shanghai Communique and the joint statement on establishment of diplomatic relations did not accomplish? Should we expect another communique in the future?

Answer. The question of U.S. arms sales to Taiwan was not resolved in 1978, at the time of normalization of relations. When the Chinese raised the issue again in 1981, it soon become apparent that our relationship and its further development would be seriously affected unless we were able to reach a mutually acceptable resolution.

The joint communique issued on August 17 is the result of a major effort over a period of 10 months to bridge our differences over this issue in a manner that preserves the principles of both sides. Like the Shanghai and normalization communiques, it is not designed to resolve at one stroke all contentious issues. It does provide us with a framework for gradually reducing our differences on

the issue of arms sales, however, and thus goes beyond previous communiques. We have no plans for another communique.

Question 2. In paragraph 3, the United States agrees to respect the PRC's sovereignty. Does this establish or acquiesce in PRC sovereignty over Taiwan? Will this statement expose the United States to future pressure from the PRC to terminate arms sales to Taiwan? When the United States "emphatically state(s)" this position, are we reinforcing the PRC position that we are meddling in their internal affairs?

Answer. No; the statement referred to in paragraph 3 does not have such an effect. There has been no change in the U.S. position on the question of sovereignty over Taiwan. The United States has consistently stated that it "acknowledges" the Chinese position that there is one China and that Taiwan is part of China. This has been our formal position since the normalization communique which came into effect on January 1, 1979. In substance, it is nearly identical to the position we took in the Shanghai Communique of February 28, 1972.

China has steadfastly maintained that our arms sales constitute an interference in its internal affairs. We have never subscribed to this position. The language of the communique does not reinforce or acknowledge the PRC position in this regard.

Question 3. In paragraph 5, the United States takes it upon itself to "reiterate" that it will not infringe upon Chinese sovereignty. Is this not simply providing ammunition to the PRC in their demands that the United States cease its arms sales to Taiwan?

Answer. No. Respect for each other's sovereignty is a fundamental principle guiding bilateral relations between all nations. We have reiterated this position in all three major United States-China communiques. Doing so in paragraph 5 is consistent with this approach and does not provide the ammunition to which you have alluded.

Question 4. Also relating to paragraph 5, can you explain why the United States "understands and appreciates" the PRC "striving" for a peaceful resolution of the Taiwan issue? By doing this, are we agreeing that a military solution is not ruled out?

Answer. We have repeatedly insisted that any resolution of the Taiwan issue be by peaceful means. We are encouraged by China's commitment in the communique to a fundamental policy of striving for a peaceful resolution to the Taiwan question. Our statement in paragraph 5 reflects our appreciation of this fundamental peaceful policy. Our statements on the Taiwan issue throughout the communique are premised on a peaceful, not a military, solution.

Question 5. (Paragraph 5) By "understanding and appreciating" the PRC message to Taiwan of January 1979 and of September 1981, is the United States endorsing both proposals and thereby pressuring Taiwan to negotiate with the PRC?

Answer. As the President said in his statement on the communique, we attach great significance to the Chinese statement in the communique regarding China's "fundamental" peaceful policy. The PRC message to Taiwan of January 1979 and of September 1981 are also indicative of China's peaceful approach. The United States stated clearly at the time of normalization our expectation that the Taiwan issue would be settled peacefully by the Chinese people themselves. There has been no change in our position. We have not endorsed any of the specific proposals put forward by the PRC. Our longstanding position is that any resolution of the Taiwan issue should be arrived at by the Chinese people themselves, without outside interference. Our sole, abiding interest is that any resolution be peaceful. We see no mediation role for the United States nor will we attempt to exert pressure on Taiwan to enter into negotiations with the PRC.

Question 6. In paragraph 6, the United States says that it has no "long term policy" of arms sales to Taiwan. The Taiwan Relations Act establishes U.S. policy as providing necessary defensive weapons to Taiwan without limit of time. How do you reconcile these opposing statements?

Answer. The principles embodied in the Taiwan Relations Act commit the United States to sell to Taiwan arms necessary to maintain a sufficient self-defense capability. As the threat to Taiwan diminishes, Taiwan's need for arms will diminish over time. Given the current low threat level, and the expectation that Beijing will continue its peaceful attitude toward Taiwan, our statement that we do "not seek to pursue a long term policy of arms sales to Taiwan" is proper and consistent with the TRA. We will continue to monitor the situation for any changes in the threat to Taiwan. Should it appear that China's policy toward Taiwan has changed, we would of course be able to reassess our policy.

Question 7. In paragraph 6, the United States agrees to restrict its sale of arms to Taiwan. How do you plan to measure these "qualitative and quantita-

tive" restrictions? In dollars, or numbers? How will you judge in a qualitative sense? How does the inflating price of weaponry fit into this?

Answer. The references to "quantitative and qualitative terms" in the communique are terms of general principle, not rigid definitions. Inflationary factors would of course be taken into account.

Question 8. In paragraph 6, the United States agrees to limit its arms transfers to Taiwan to the level supplied in "recent years." What year and what amount?

Answer. The reference as stated in paragraph 6 refers to the level in recent years "since the establishment of diplomatic relations between the United States and China"; i.e. since January 1, 1979. Regarding the amount, we are talking about a general policy and trends, not specific amounts.

Question 9. In paragraph 7, the communique speaks of a "final settlement"—presumably the termination of sales to Taiwan—and commits the United States to "make every effort" toward this end. Does this buttress the PRC position that we must cease sales to Taiwan?

Answer. The "final settlement" in the joint communique refers to a resolution of United States-PRC differences over the issue of arms sales to Taiwan. This settlement is not further defined. We have made clear to the Chinese, however, that we would not agree to set a specific time for termination of such sales.

Question 10. In paragraph 8, the communique speaks of the development of United States-China relations as contributing to peace and stability. Few would disagree with that, but would you consider terminating arms sales to Taiwan as contributing to peace and stability?

Answer. The communique does not provide for termination of arms sales to Taiwan. It does move us a step closer to resolving United States-PRC differences over the issue of arms sales, but does not specify the precise manner of resolution. Our policy of gradually reducing arms sales to Taiwan, enunciated in the communique, relates directly to China's fundamental policy of striving for a peaceful resolution of its differences with Taiwan. Continuation of that policy will indeed contribute to peace and stability, as will an advancing constructive United States-China relationship (in contrast to one of United States-China bitterness focused on differences over Taiwan arms sales). These favorable trends should enhance the security of all U.S. friends and allies in East Asia, including the people of Taiwan. Of course, as I have stated before, we will continue to monitor the Taiwan situation and make appropriate arms sales to Taiwan based on our assessment of their defense needs, in accordance with the Taiwan Relations Act.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR HELMS

Question 1. On June 8, President Reagan made a speech in London in which he called for a foreign policy of the United States which aimed at free and democratic regimes for all countries in the world, including those presently under Communist domination. Do you identify yourself with that desire?

Answer. Yes. United States foreign policy seeks to encourage and support free and democratic regimes for all countries.

Question 2. Do you consider it the long-range goal of our policy toward the People's Republic of China?

Answer. Our policy is to encourage democracy in all countries, and that includes China. Chinese authorities have liberalized many aspects of their society since the national trauma of the Cultural Revolution, although undeniably they have a long way to go to achieve real democracy. We have encouraged this trend in every way possible without interfering in Chinese internal affairs.

Question 3. Does our policy toward Communist China have the long-range goal of supporting forces which will lead to the emergence of democratic forces, and the overthrow of the dictatorship which has oppressed China for the past 30 years and more?

Answer. The United States regards China as a friendly nation, and we do not seek to overthrow its government or to interfere in its internal affairs. Our policies are designed to promote cultural and religious freedoms, and to encourage the development of democracies and democratic processes.

Question 4. How will the present U.S. policy lead toward that goal?

Answer. Our policy is designed to maximize the benefits of mutual cooperation with friendly nations, even those which do not share our values and governmental system. We seek to do this, in China and elsewhere, by adhering to our principles and seeking to support, by example and where possible by specific actions, democratization in other nations. Our current policies have encouraged China's opening to the West, increased cultural, educational and scientific ex-

changes, and dramatically increased bilateral trade. Approximately 9,000 Chinese students are currently studying in the United States, and they will take back to their country first-hand knowledge and experience of the American cultural, political, and economic processes. China since normalization has cooperated with the United States to oppose adventurism by the Soviet Union and its proxies. We believe, that as China's contacts with the United States and the free world expand, its actions will become even more cooperative. These contacts and cooperation will serve to encourage democracy and free enterprise in China.

Question 5. How will the communique released this morning lead toward that goal?

Answer. By reducing the tensions over U.S. arms sales to Taiwan the communique will enable us to expand the normal range of bilateral relations with China and to seek further cooperation in international affairs. The trade, cultural, educational, scientific, and military exchanges which are embodied in this relationship will, as I have already indicated, increase Chinese exposure to our views and help encourage Chinese policies which will lead to greater freedoms and opportunities for the Chinese people.

[Whereupon, at 4:05 p.m., the committee adjourned, subject to call of the Chair.]

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